

Your CalPERS Benefits

Alternate Retirement Program

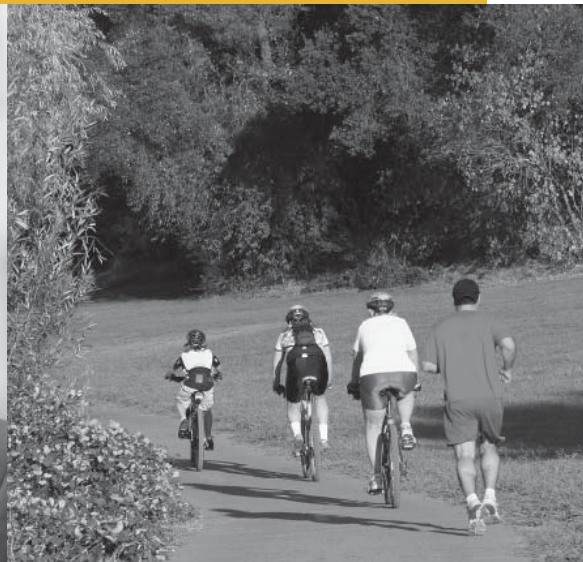


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WHAT IS THE ALTERNATE RETIREMENT PROGRAM?

This publication contains important information about a retirement program administered by the State Department of Personnel Administration (DPA) for new, first-time State miscellaneous and industrial employees hired on or after August 11, 2004 who qualify for CalPERS membership.

While these new employees are officially CalPERS members, they are initially enrolled in the Alternate Retirement Program (ARP), which treats employee retirement contributions and service credit differently during their first two years of CalPERS membership.

Four years after their enrollment date in the program, ARP participants will make an important decision that may affect the amount of their future CalPERS retirement benefit.

The information in this booklet applies to the vast majority of ARP participants in common situations. For more detailed information that is updated regularly, visit the Alternate Retirement Program section of CalPERS On-Line at www.calpers.ca.gov and the DPA website at www.dpa.ca.gov. Keep in mind that ARP is administered by DPA, not CalPERS.

WHO IS AFFECTED BY ARP?

If you are a new, first-time State miscellaneous or industrial employee hired on or after August 11, 2004, and you qualify for CalPERS membership, you are automatically enrolled in ARP for two years from the date you become a CalPERS member.

WHO IS NOT AFFECTED BY ARP?

You are not affected by ARP if you were a CalPERS member at any time prior to your State employment, even if you previously terminated membership by withdrawing your contributions.

In addition, you are not affected by ARP if you established CalPERS membership within six months of separating employment as a member of a CalPERS reciprocal retirement system.

You are not affected by ARP if you are a member of a State retirement program such as the Judges' Retirement System, Judges' Retirement System II, or Legislators' Retirement System, or are a member of the California State Teachers' Retirement System or University of California Retirement Plan.

You are not affected if you were employed in a non-exempt position by a State agency prior to August 11, 2004, even if you did not establish CalPERS membership based on that employment, and were later hired by the State as a miscellaneous or industrial employee and established CalPERS membership.

Regardless of when you were hired you may be exempt from ARP membership if you:

- Qualify for CalPERS membership in the State Safety, State Patrol, or State Peace Officer/Firefighter category or are employed as a California Highway Patrol cadet
- Are employed by a public agency (any city, county, district, other local authority or public body)
- Are employed by the California legislative or judicial branch of government
- Are employed by a public school or California State University
- Are a part time California National Guard member who elected CalPERS membership
- Are a non-resident alien employed on an F-1, J-1, M-1, or Q-1 visa and not coordinated with Social Security

If you believe you are exempt from ARP membership, you should contact your Personnel Office for further clarification.

HOW ARP WORKS

Typically, CalPERS members make a monthly retirement contribution to CalPERS which can vary depending on their employee bargaining unit. The member also earns retirement service credit. These two provisions do not apply to ARP participants during their first two years of CalPERS membership.

If you are covered by ARP, you do not make CalPERS retirement contributions or receive CalPERS service credit during this period. Instead, the State automatically deducts an amount equal to your CalPERS contribution and deposits the money into a special tax-deferred 401(a) ARP savings account managed by DPA.

The two-year ARP period begins on your enrollment date and continues uninterrupted even if you separate from State employment and do not contribute to ARP for a period of time.

If you separate from State employment at any time during your ARP period but later resume State employment before the two years have passed since your enrollment date, you automatically return to the program until the conclusion of your ARP period.

If you return to State employment at any time following the conclusion of your two-year ARP period, you will immediately begin to make CalPERS retirement contributions and receive CalPERS service credit.

TWO YEARS AFTER ENROLLMENT IN ARP

Two years after your enrollment date in ARP, you will transition to full CalPERS membership. Depending on your job classification, you will be designated as a State miscellaneous or an industrial first tier retirement plan member. You will begin making regular monthly retirement contributions to CalPERS and start earning retirement service credit. At this time, you have the option within 180 days to elect the second tier formula in which no contributions are required but your benefit payable under this formula will be approximately half the amount. In either case, the State will begin retirement contributions to CalPERS to fund your retirement benefit.

However, all contributions and interest accumulated in your ARP account during your first two years of CalPERS membership remain in your ARP account at DPA for an additional two years.

Contact your Personnel Office for more information.

FOUR YEARS AFTER ENROLLMENT IN ARP

Four years after your enrollment date in ARP—from 47 to 49 months—you will have an important decision to make. This is an important decision because CalPERS provides you with a lifetime retirement benefit based on your pay rate, retirement formula, and years of service. At the beginning of the three-month election period, you will receive an ARP payout options packet from DPA. This packet will include an ARP Payout Options Booklet along with an ARP Payout Selection Form in which you will have the opportunity to choose one of the following three options:

- **Option 1 – Receive CalPERS Retirement Service Credit**
Transfer the funds in your ARP account to CalPERS and receive retirement service credit for the time worked during your first two years of CalPERS membership at no extra cost. However, if you purchase the service credit after the three-month election period has elapsed, you will be responsible for paying the total cost of the service credit (i.e., both the employee and employer share of costs).
- **Option 2 – Take a Distribution of ARP funds**
Request a lump-sum distribution from your ARP account.
- **Option 3 – Transfer ARP funds to Savings Plus 401(k) account**
Transfer the funds in your ARP account to a DPA-administered Savings Plus Program 401(k) retirement savings account.

If you elect to transfer funds in your ARP account to CalPERS and receive retirement service credit for your first two years of CalPERS membership, the amount of service credit you receive will be based on the actual amount of time worked during your two years of ARP participation—which may be less than two years. For example, if you worked half time during the first two years, 20 hours per week, you would receive approximately one year of service credit.

If you take no action, your employment status determines what happens to your ARP funds. If you are still employed by a State agency, the funds in your ARP account will be automatically transferred into a Savings Plus Program 401(k) account. If you are not employed by a State agency and don't have an existing 401(k) account with assets, your ARP funds will remain in the 401(a) ARP account and you'll be charged a monthly administrative fee.

You make the decision regarding what you want to do with your ARP account funds during a three-month election period starting on the first day of the 47th month following your enrollment date in ARP and ending on the last day of the 49th month.

You will receive a postcard during the 45th month following your enrollment date in ARP notifying you of the upcoming ARP election. If you separate from State employment at any time after your ARP enrollment date, you are still eligible to participate in the ARP election as long as you have ARP funds at DPA and you maintain your membership in CalPERS or have established membership with a reciprocal retirement system within six months of separating from CalPERS-covered employment.

SERVICE CREDIT AND YOUR RETIREMENT

While the decision about what you want to do with your ARP account is yours, you should be aware that in most cases, the additional ARP service credit will increase your monthly CalPERS retirement benefit allowance when you retire. Transferring the funds to CalPERS will allow you to receive retirement service credit based on your actual employment during the first two years of ARP participation. Remember, you must make this decision during the three-month period between the 47th and 49th month following your enrollment date in ARP.

After the 49th month, you may be eligible to purchase your ARP service credit, but you will be responsible for all costs. The purchase cost may exceed the amount in your ARP account. CalPERS determines the cost using the “present value” method, which is based on your highest monthly full-time pay rate and an average of any special compensation (for example, uniform allowance, holiday pay, longevity pay, etc.) your employer reports to CalPERS. This provides CalPERS with the best estimate of the potential future final compensation figure that will be used for calculating your retirement benefit when you retire. CalPERS looks at the projected retirement benefit increase you may receive from this additional service credit at retirement and then converts that to a lump sum cost in today’s dollars.

Determining the increase to your future benefits involves a number of actuarial assumptions, including the projected age at retirement, life expectancy, salary inflation, and the assumed rate of return on investments. These are the same assumptions CalPERS uses to ensure that all member benefits are adequately funded.

CalPERS periodically updates the actuarial tables used in the process to reflect benefit changes, new benefits mandated by law, or changes in assumptions due to our current best estimate of future outcomes.

Note that your election to purchase service credit is irrevocable. Once CalPERS processes your election to purchase service credit, any future changes to the assumptions will not affect the cost of your service credit purchase.

Important: Keep your address updated with your employer to ensure that you receive all mailings in a timely manner.

HOW SERVICE CREDIT AFFECTS YOUR RETIREMENT BENEFIT

Note: Depending on your bargaining unit agreement, you may have a 2%@60 or other benefit formula.

The amount of service credit is one of the key factors, along with your benefit factor and final compensation, that CalPERS uses to calculate your retirement benefit allowance. Let’s assume that you work a total of 22 years with the State, and that you retire at age 55 under a 2%@55 formula with a final compensation average of \$4,000 per month. In this example, we compare your unmodified allowance with and without two years of ARP service credit. Remember, the amount of service credit you receive will be based on the actual amount of time worked during your two years of ARP participation.

Example I: 20 years (without ARP service credit)

20	x	2%	=	40%	x	\$4,000.00/month	=	\$1,600.00/month
Service Credit		Benefit Factor				Final Compensation		Unmodified Allowance

Example II: 22 years (with two years of ARP service credit)

22	x	2%	=	44%	x	\$4,000.00/month	=	\$1,760.00/month
Service Credit		Benefit Factor				Final Compensation		Unmodified Allowance

Note: If you participate in Social Security, your final compensation average for retirement benefit calculation purposes is reduced by \$133.33 per month, as required by law. In order to simplify the illustration above, we have already subtracted the \$133.33 from the final compensation average.

BECOME A MORE INFORMED MEMBER

CalPERS On-Line

Visit our website at www.calpers.ca.gov for more information on all your benefits and programs.

Reaching Us By Phone

Call us toll free at **888 CalPERS** (or 888-225-7377).
Monday through Friday, 8:00 a.m. to 5:00 p.m.
TTY: For Speech & Hearing Impaired (916) 795-3240

my|CalPERS

Stay informed and be in control of the information you want and need — with my|CalPERS!

my|CalPERS is the personalized and secure website that provides all your retirement, health, and financial information in one place. Take advantage of the convenience of 24/7 access to learn more about CalPERS programs and services that are right for you in your career stage. With my|CalPERS, you can:

- Get quick and easy access to all your account information.
- Manage and update your contact information and online account profile.
- Access information about your health plan and family members enrolled in your plan.
- See all the information you need to make health plan decisions.
- View, print, and save online statements.
- Go “green” by opting out of receiving future statements by mail.
- Use financial planning tools to calculate your retirement benefit estimate, estimate your service credit cost, and even request a staff-prepared retirement estimate.
- Check statuses of requests to purchase service credit or applications for disability retirement.
- Keep informed with CalPERS News so you don’t miss a thing.

CalPERS Education Center

my|CalPERS is your gateway to the CalPERS Education Center. Whether you’re in the early stages of your career, starting to plan your retirement, or getting ready to retire, visit the CalPERS Education Center to:

- Take online classes that help you make important decisions about your CalPERS benefits and your future.
- Register for instructor-led classes at a location near you.
- Download class materials and access information about your current and past classes.
- Browse our retirement fair schedule.
- Make a personal appointment with a retirement counselor.

Log in today at my.calpers.ca.gov.

Visit Your Nearest CalPERS Regional Office

Visit the CalPERS website for directions to your local office.
Monday to Friday, 8:00 a.m. to 5:00 p.m.

Fresno Regional Office

10 River Park Place East, Suite 230
Fresno, CA 93720

Glendale Regional Office

Glendale Plaza
655 North Central Avenue, Suite 1400
Glendale, CA 91203

Orange Regional Office

500 North State College Boulevard, Suite 750
Orange, CA 92868

Sacramento Regional Office

Lincoln Plaza East
400 Q Street, Room E1820
Sacramento, CA 95811

San Bernardino Regional Office

650 East Hospitality Lane, Suite 330
San Bernardino, CA 92408

San Diego Regional Office

7676 Hazard Center Drive, Suite 350
San Diego, CA 92108

San Jose Regional Office

181 Metro Drive, Suite 520
San Jose, CA 95110

Walnut Creek Regional Office

1340 Treat Blvd., Suite 200
Walnut Creek, CA 94597

INFORMATION PRACTICES STATEMENT

The Information Practices Act of 1977 and the Federal Privacy Act require the California Public Employees' Retirement System to provide the following information to individuals who are asked to supply information. The information requested is collected pursuant to the Government Code (Sections 20000, et seq.) and will be used for administration of the CalPERS Board's duties under the California Public Employees' Retirement Law, the Social Security Act, and the Public Employees' Medical and Hospital Care Act, as the case may be. Submission of the requested information is mandatory. Failure to supply the information may result in the System being unable to perform its function regarding your status and eligibility for benefits. Portions of this information may be transferred to State and public agency employers, State Attorney General, Office of the State Controller, Teale Data Center, Franchise Tax Board, Internal Revenue Service, Workers' Compensation Appeals Board, State Compensation Insurance Fund, County District Attorneys, Social Security Administration, beneficiaries of deceased members, physicians, insurance carriers, and various vendors who prepare the microfiche or microfilm for CalPERS. Disclosure to the aforementioned entities is done in strict accordance with current statutes regarding confidentiality.

You have the right to review your membership file maintained by the System. For questions concerning your rights under the Information Practices Act of 1977, please contact the Information Practices Act Coordinator, CalPERS, 400 Q Street, P.O. Box 942702, Sacramento, CA 94229-2702.

While reading this material, remember that we are governed by the Public Employees' Retirement Law and the Alternate Retirement Program provisions in the Government Code, together referred to as the Retirement Law. The statements in this publication are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this publication, any decisions will be based on the law and not this publication. If you have a question that is not answered by this general description, you may make a written request for advice regarding your specific situation directly to CalPERS.

Fill in your ARP milestone dates, tear out chart, and place in a special place for reference.

Fill in your enrollment month and year.

Example: March 2008



Use your enrollment month as you first month. Add 24 months to your enrollment month and year to find your 25th month.

Example: March 2010



Add 23 more months to find your 47th month

Example: February 2012



My Enrollment Month and Year:

Month / Year

Example: March 2008

My CalPERS Service Credit Starts on my 25th month:

Month / Year

Example: March 2010

My Decision Time:

Month / Year

Example: February 2012–April 2012

For more information on the Alternate Retirement Program, contact the Department of Personnel Administration or visit their Web site at www.dpa.ca.gov. You can also visit CalPERS On-Line at www.calpers.ca.gov for additional Alternate Retirement Program information or call us at 888 CalPERS (or 888-225-7377).

Charting Your ARP Milestones

Four years after your enrollment date in the Alternate Retirement Program (ARP), you will have a one-time opportunity to make a decision that can affect your future CalPERS retirement benefit.

First 24 Months

- Your retirement contributions go into a special ARP account managed by the Department of Personnel Administration (DPA).
- You do not receive CalPERS retirement service credit.
- Your time worked counts toward retirement and health benefit vesting.



Month 25 Forward

- Your retirement contributions go to CalPERS.
- You receive CalPERS retirement service credit.
- Your ARP funds remain at DPA.



Months 47–49: Decision Time

You have a one-time opportunity to make a decision regarding your ARP funds. Consider your options carefully.

Receive CalPERS Service Credit

Transfer ARP funds to CalPERS and receive retirement service credit for the actual amount of time you worked at no additional cost. More service credit increases your pension benefits.

Distribution of Funds

Receive lump-sum distribution. No service credit earned.

Transfer to Savings Plus 401(k) at DPA

No service credit earned.



California Public Employees' Retirement System

400 Q Street
P.O. Box 942701
Sacramento, CA 94229-2701

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www.calpers.ca.gov

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